November 8, 2001

Ms. Gloria Blue
Executive Secretary
TPSC
Office of the USTR
600 17th Street N.W.
Washington , DC 20508

Subject: Section 201 Trade Case

Dear Ms. Blue:

_ Thank you for the opportunity to present our request to exclude certain critical imported products that are used in domestic piston ring manufacture and are available only from offshore sources from any relief that may be granted in this investigation. Reflecting the importance of this request to Dana and the rest of the US piston ring industry, I testified before the International Trade Commission on September 25, 2001.

_ I represent Dana Corporation. We are headquartered out of Toledo, Ohio and have been doing business since 1911. We employ over 60,000 employees in North America and operate over 175 manufacturing facilities. Our primary products are used Aunder the hood@ and Aunder the vehicle@ and are sold to the transportation industry including such customers as: General Motors, Ford Motor Company, Daimler B Chrysler, Caterpillar, J. Deere, and Mack Truck. Our sales volume of over $10.5 billion makes us one of the largest independent suppliers to the U.S. vehicular industry. We are very concerned with the potential impact that tariffs or quotas may have on our business and in this case even on our ability to produce piston rings at our US plants.

_ Our Division, Perfect Circle, is headquartered in Muskegon, Michigan and produces piston rings, cylinder liners, and camshafts. We import or have imported for us stainless steel flat wire from Japan and Sweden as a raw material for use in our piston ring product line. These are imported under HTSUS 7223.00.5000 and HTSUS 7223.00.9000. Being a supplier to the original equipment manufacturers (OEM) requires us to satisfy some very stringent quality requirements in the form of specifications demanded by the customer. Many of these have to do with the quality of the incoming steel wire.

_ We have been purchasing our stainless flat steel from Sweden and Japan since 1994. Prior to that time, we were buying an earlier generation product from a domestic producer (Allegheny-Ludlum) whose work stoppage (labor strike) in March 1994 almost caused us to miss customer shipments. This event forced us to make a sourcing change and to adopt improved specifications We began purchasing our material from Sandvik Steel, Garphyttan Wire, and Hitachi Metals. All of these suppliers use a Aroll formed@ manufacturing process which compared very favorably to the Aslit@ process of Allegheny. This new process offered us a better quality product. In addition, the weight of the coil sizes increased from approx. 180 lbs to over 500 lbs giving us improved productivity by reducing the number of changeovers required. These foreign producers have further improved these products through application of such techniques as nitriding that are also not available from domestic sources.

- We disagree with Carpenter's assertion to the ITC that the U.S. stainless steel industry can supply these specific stainless steel flat wire products. All of our current business has been validated and approved by our customers using the stainless flat wire produced by our offshore suppliers. To gain approval of a new source such as Zapp or Charter Wire who are potential but not current US suppliers, we would have to go through a rather extensive testing and approval process demanded by our customers. In fact, in January 1999, I was part of a Dana audit team that visited Zapp USA in their new facility in South Carolina for the express purpose of having them gain a share of this product. We felt we would benefit from shorter lead times to have an approved domestic producer. Quotes from Zapp indicated that their prices were essentially equal to that of the offshore supplier. Subsequently, however, efforts to have them become qualified by way of a series of approved samples was never accomplished. Charter Wire has never approached us with any interest in our business.

- Should import quotas be imposed on these stainless steel flat wire products, there is a serious risk that Dana could suffer serious production disruptions which could also disrupt the U.S. auto manufacturers. This is because these wires are required for us to fulfill our piston ring delivery requirements to our customers and there are no substitutes available to meet our customers' specifications. Moreover, at this time, there are no approved U.S suppliers of these stainless steel flat wire products. The qualifcation process is lengthy and it could take from 12 to 18 months from the time it is established that the technology to produce these products exists in the United States.Given the current economic conditions with our customers, we also continue to be under extreme pressure to reduce costs year after year. Any tariff increase imposed upon us as a parts manufacturer will only further deteriorate our already weak profit margins. As there would be no US producer that would gain from such cost increases, this would appear to be counter productive and would only harm Dana, other piston ring manufacturers, the U.S. automotive industry and U.S. customers. We estimate US consumption of stainless steel flat wire for piston ring applications approximated 420 tons in 2000. We anticipate a modest increase in this tonnage over the next several years dependent on overall economic conditions as there is a switch by the auto manufacturers to increased procurement of stainless steel piston rings.

Thank you for this opportunity to present our case to the TPSC.

Best Regards,

D. James Toppen
Divisional Purchasing Manager
Perfect Circle Division of Dana Corp.